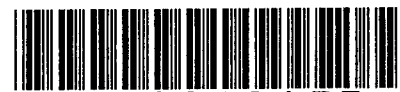


ORIGINAL

OPEN MEETING



0000069173

~~MEMORANDUM~~
~~RECEIVED~~

ARIZONA CORPORATION COMMISSION

DOCKETED

411

MAR 23 2007

TO: THE COMMISSION 2007 MAR 23 A 10: 46

FROM: Utilities Division AZ CORP COMMISSION
DOCUMENT CONTROL

DATE: March 23, 2007

DOCKETED BY	<i>SW</i>
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RE: RECOMMENDED OPINION AND ORDER REGARDING THE APPLICATION OF H₂O, INC. FOR TARIFF ADDITIONS FOR LARGER SIZE METERS (DOCKET NO. W-02234A-07-0027)

On January 16, 2007, H₂O, Inc. ("H₂O," or "Company") filed a tariff application, Docket No. W-02234A-07-0027, with the Arizona Corporation Commission ("Commission") seeking tariff additions for larger size meters to its customer/minimum charge per month section.

H₂O, is a Class B regulated water utility that serves over 6,000 customers in the Queen Creek, Arizona, area pursuant to a Certificate of Convenience and Necessity granted by the Commission to the Company and its predecessors in interest.

The Company seeks tariff additions in this proceeding authorizing minimum charges for 3-inch, 4-inch, and 6-inch meter sizes. These additions are needed to address the needs of certain commercial projects to be located in the Company's certificated area.

The multiplier that H₂O applied to create the new minimum charges is based on the multiplier of minimums set for a 1992 test year (15 years ago). The existing commodity rates and tier levels are also based on a 1992 test year.

The current rates are based on a customer count of 358. Current customer count is over 6,000, more than a 15 fold increase.

H₂O has been collecting hook-up fees since 2000 and has potentially collected approximately \$5 million that Staff has never reviewed.

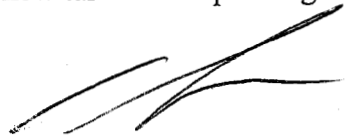
In order to ensure that the Company's current rates are fair and reasonable (due to the length of time since the last rate case and the large customer growth since then) and proper rates are established for 3-inch, 4-inch, and 6-inch meters (as requested by H₂O), Staff recommends that the Company's new tariff application be denied and the Company be ordered to submit a full rate application no later than September 28, 2007, using a December 31, 2006 or later test year.

THE COMMISSION

March 23, 2007

Page 2

Staff further recommends that if the Company has collected any funds under its proposed new tariff items pending this determination that it be ordered to return those funds immediately.



Ernest G. Johnson
Director
Utilities Division

for

EGJ:DRE:cjh/KT

Originator: Darak R. Eaddy

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 MIKE GLEASON
3 Chairman
4 WILLIAM A. MUNDELL
5 Commissioner
6 JEFF HATCH-MILLER
7 Commissioner
8 KRISTIN K. MAYES
9 Commissioner
10 GARY PIERCE
11 Commissioner

12 IN THE MATTER OF THE APPLICATION
13 OF H₂O, INC. FOR TARIFF ADDITIONS
14 FOR LARGER SIZE METERS

DOCKET NO. W-02234A-07-0027

DECISION NO. _____

11 **ORDER**

13 Open Meeting
14 April 11 and 12, 2007
15 Phoenix, Arizona

15 **BY THE COMMISSION:**

16 On January 16, 2007, H₂O, Inc. ("H₂O" or "Company") filed a tariff application, Docket
17 No. W-02234A-07-0027, with the Arizona Corporation Commission ("Commission") seeking
18 tariff additions for larger size meters to its customer/minimum charge per month section.

19 * * * * *

20 Having considered the entire record herein and being fully advised in the premises, the
21 Commission finds, concludes, and orders that:

22 FINDINGS OF FACT

23 1. H₂O is a Class B regulated water utility that serves over 6,000 customers in the
24 Queen Creek, Arizona area pursuant to a Certificate of Convenience and Necessity granted by the
25 Commission to the Company and its predecessors in interest.

26 2. The Company seeks tariff additions in this proceeding authorizing minimum
27 charges for 3-inch, 4-inch, and 6-inch meter sizes. These additions are needed to address the needs
28 of certain commercial projects to be located in the Company's certificated area.

7. Staff further recommends that if the Company has collected any funds under its proposed new tariff items pending this determination that it be ordered to return those funds immediately.

2. The Commission has jurisdiction over the Company and of the subject matter of the application.

...

1 IT IS FURTHER ORDERED that the Company file a full rate application with the
2 Commission no later than September 28, 2007 with a test year of December 31, 2006 or later.

3 IT IS FURTHER ORDERED that this Decision shall become effective immediately.
4

5 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**
6
7

8 CHAIRMAN

COMMISSIONER

9
10 COMMISSIONER

COMMISSIONER

COMMISSIONER

11
12 IN WITNESS WHEREOF, I BRIAN C. McNEIL, Executive
13 Director of the Arizona Corporation Commission, have
14 hereunto, set my hand and caused the official seal of this
15 Commission to be affixed at the Capitol, in the City of
16 Phoenix, this _____ day of _____, 2007.
17

18 _____
BRIAN C. McNEIL
Executive Director

19
20 DISSENT: _____
21

22 DISSENT: _____
23

EGJ:DRE:cjh/KT
24
25
26
27
28

1 SERVICE LIST FOR: H₂O, Inc.
2 DOCKET NO. W-02234A-07-0027

3 Mr. Richard L. Sallquist
4 Sallquist, Drummond & O'Connor, P.C.
5 4500 South Lakeshore Drive
6 Tempe, Arizona 85282

7 Mr. Ernest G. Johnson
8 Director, Utilities Division
9 Arizona Corporation Commission
10 1200 West Washington
11 Phoenix, Arizona 85007

12 Mr. Christopher C. Kempley
13 Chief Counsel
14 Arizona Corporation Commission
15 1200 West Washington
16 Phoenix, Arizona 85007
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